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BUILDING HONG KONG FOR A NEW ERA

Address by the Chief Executive
The Honourable Tung Chee Hwa

at the Provisional Legislative Council meeting
on 8 October 1997

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The Chief Executive,
the Honourable Tung Chee Hwa

BUILDING HONG KONG FOR A NEW ERA

THE 1997 POLICY ADDRESS

中大香港研究

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CONTENTS

	<i>Paragraph</i>
Introduction	1-6
One Country, Two Systems and Hong Kong	7-10
The Basic Law	11
Outlook on Development	12-16
The Programme	
A. A Better Business Environment	17-18
A Business Friendly Environment	19-21
Small Business	22
Financial Services	23-24
Travel and Tourism	25-26
Film, Music and Broadcasting	27-28
Manufacturing Industry	29-30
Stimulating New Technology Industries	31-32
Land for Industry and Business	33
Labour	34-39
Intellectual Property Rights	40-41
Trade Controls	42
Competition Policy	43
B. Connecting to the Information Age	44
Information Infrastructure Co-ordination	45
Information Technology in Education	46-47
The Challenge Ahead	48
C. Homes for Hong Kong	49-54
Land Supply for Housing	55-56
Infrastructure	57-59

Organisation and Procedures	60-61
Home Ownership	62-64
Public Rental Housing for Those in Genuine Need	65-66
Speeding up Urban Redevelopment	67-68
A Safer Home	69-72
D. The Environment	73-78
E. Uncovering Hong Kong's Treasure	
Education	79-80
Quality and Innovation	81-82
A Committed Teaching Profession	83
Language Skills	84-88
The Learning Environment	
— Whole Day Primary Schools and others	89-90
Schooling for Newly Arrived Children	91
Tertiary Education	92-97
Special Education	98
Kindergarten	99
Expenditure	100
Review of the Education System	101
The Curriculum	102-103
Our Young People	104-107
The Arts	108
Sports	109
Hong Kong's Culture	110-112
F. A Compassionate and Caring Society	113
Care for the Elderly	114
Security	115
Belonging	116-119
Health and Worthiness	120-122
CSSA Review	123
Services for People with Disabilities	124-125
Newly Arrived Citizens	126
Women	127
Continued Improvement in Health Care	128-129

Health Care Review	130-131
Chinese Medicine	132
G. Vietnamese Boat People	133-134
H. The Administration of Justice	
The Judiciary	135-138
Legal Aid	139-140
I. Upholding the Law	
A Police Force of the Highest Quality	141-142
The ICAC	143-144
J. Public Administration	
The Political Structure: Hong Kong People Ruling Hong Kong	145-147
An Efficient and Accountable Executive	148-149
The Civil Service	150-152
Expenditure	153
Conclusion	154-156

Madam President,

Introduction

1. To the Members of this Council, and to all citizens of Hong Kong, I now deliver the first Policy Address of the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

2. On 1 July 1997, Hong Kong was reunited with China. We the people of Hong Kong have begun to write our own history. Each step we take today will set our course for decades to come. Clearly and constantly remembering the deep significance of 1 July, we must work to build Hong Kong for ourselves and for future generations: a Hong Kong that is civilised, prosperous, stable and democratic, filled with a new vitality.

3. Taking stock of the situation around us, for more than a century conditions have not been better or more promising for our country than they are today. After nearly twenty years of reform, China's remarkable achievements are recognised all around the world. The 15th Party Congress under the leadership of President Jiang Zemin has just set out the goal of building China into a major power by the middle of the 21st Century. Our country has bright prospects from which Hong Kong is sure to benefit. Hong Kong has finally broken free from the psychological constraints brought about by the colonial era. We should have the courage to set aside past modes of thought and plan Hong Kong's long term future with new vision.

4. The world economy is undergoing a tremendous transformation. It has entered an era of increasingly open, free and borderless competition. Rapid developments in information technology will change the way mankind works and lives. Hong Kong now faces the challenge of the information age. We must look to new concepts with which to assess our competitiveness and set new courses for development.

5. Hong Kong is indeed fortunate. We have incomparable advantages: a high degree of autonomy under “One Country, Two Systems”; abundant financial reserves; social and economic systems that work well; a sound, comprehensive legal system; we are the southern gateway to China and an international financial, trade and shipping centre. Our future economy will also be strongly supported by the rapid development in China.

6. As China’s economy, culture and spirit develop and as the world continues to progress, Hong Kong can either stand by passively, content with what we have achieved, or ride the wave of opportunity and go forward, adding new dimensions and vibrancy to our lives. I believe that the people of Hong Kong will rise to the challenge of this brave new era.

One Country, Two Systems and Hong Kong

7. Hong Kong’s reunification with China under the “One Country, Two Systems” concept requires us to appreciate and accept one practical and profound truth: Hong Kong’s prosperity and stability are closely linked with those of the Mainland. Also, Hong Kong and China share the same fundamental interests. This is the basis for successfully implementing “One Country, Two Systems”. It is also the starting point for the SAR Government when formulating policies for our relationship with the Mainland, and strategies for Hong Kong’s long term development.

8. “One Country, Two Systems” is a well thought out political concept. Understanding the relationship between “One Country” and “Two Systems”, and handling that relationship properly, is fundamental to the successful implementation of the concept. “Two Systems” enshrines Hong Kong’s practical and long term interests. Naturally we will do everything to preserve that. At the same time, we have to realise that “Two Systems” has been made possible by the deliberate choice of the Central Government, arising from its consideration of the fundamental interests of the whole country, including those of Hong Kong. Simply put, emphasising the “One

Country" concept and implementing "Two Systems" protects the interests of China and Hong Kong. When we truly recognise the significance of "One Country" and "Two Systems" we will be able to find the way forward and will be well able to handle the relationship between Hong Kong and the Central Government, and between Hong Kong and the Mainland.

9. The policy of reform and opening up in the Mainland has given new energy to Hong Kong's economic development. In our daily lives, we enjoy the benefits of our country's rapid economic development. In recent decades, Hong Kong and the Mainland have established broader and closer relationships in many areas. Whereas previously they had mainly been confined to the non-governmental level, with reunification and with government support, the relationship between Hong Kong and the Mainland should flourish comprehensively in all fields such as the economy, finance, trade, transport, culture, education, science and technology, tourism and sports.

10. In terms of the overall economic development of the SAR and the Mainland, prospects are bright. Strengthening economic co-operation with nearby provinces and cities is of particular importance to the future development of Hong Kong. Building on past co-operation, the SAR Government and the relevant mainland authorities have agreed that the "Hong Kong and Mainland Major Infrastructure Projects Co-ordinating Committee" be re-established to handle a number of cross-boundary infrastructure projects between Hong Kong and Guangdong. It will conduct in-depth studies on specific projects, such as the Western Corridor, the Zhuhai Lingdingyang Bridge, the Tonggu Channel, air traffic control co-ordination between the new airport and the Pearl River Delta, the Lok Ma Chau and Huanggang boundary crossings and others. Furthermore, in order to strengthen comprehensively our regional co-operation with Guangdong Province, the SAR Government and the Guangdong Provincial Government, in conjunction with relevant Central Government departments, will establish a high level framework to study and co-ordinate major issues such as infrastructure, environmental regulation, supply of non-staple foods, water supply,

social welfare, business investment and the speeding up of the flow of passengers, traffic and freight across the border, enabling co-operation between Hong Kong and Guangdong to rise to new heights.

The Basic Law

11. The Basic Law is the constitutional law of the Hong Kong Special Administrative Region. It gives solemn and inviolable legal protection for the "One Country, Two Systems" concept. The Basic Law lays down clearly the rights that the Central People's Government grants to Hong Kong for the exercise of a high degree of autonomy; stipulates that Hong Kong shall adopt social, economic and political systems different from those in the Mainland; safeguards the lifestyle and rights to which the residents of Hong Kong are accustomed; and defines the duties of the residents of Hong Kong. We are the freest and most vibrant economy of our time because Hong Kong has always practised free enterprise and free trade, insisted on prudent financial management policies and keeping a low taxation system, upheld the rule of law, and placed emphasis on an efficient, executive-led government and a quality oriented civil service. All these factors are safeguarded in the Basic Law. It is, consequently, very important to the operation of Hong Kong's society that we understand the Basic Law. The SAR Government will set up a steering committee under the chairmanship of the Chief Secretary for Administration to make plans for education and promotion programmes on the Basic Law, and to co-ordinate the efforts of government bodies and all sectors of the community in this work.

Outlook on Development

12. To promote the well being of the people is the most fundamental task of a responsible government. In the increasingly open and competitive world market, all governments will have to maintain the economic vitality of the community as a whole to create rising prosperity. The law of the market is simple and clear. Whoever achieves lower costs, higher efficiency and better quality, and therefore adds higher value to products, will succeed, otherwise they will be left behind. My Administration therefore has to plan with

specific focus on adding value to our economy, and seriously considering our ability to compete in the world market.

13. Hong Kong's economic restructuring and the relocation of industries to the Mainland make us realise that low-wage manufacturing and services can no longer fit in with Hong Kong's economic development. Our high standard of living relative to our neighbours means that we cannot derive competitive advantage from wage costs. It is impractical to attempt to maintain competitiveness by driving down incomes. This would not protect our overall interests. The invisible hand of market forces has already pointed out that the way forward is to develop high value-added industries and services. Only through business that adds high value can Hong Kong's people enjoy higher incomes and better lives. Only by that means can we solve the poverty problem of the lower income group once and for all.

14. The SAR Government encourages enterprises to develop into higher value-added activities. Hong Kong's ability to reach this goal depends mainly on the number of our citizens who have the ability to enter these fields. We must, therefore, provide every citizen with the opportunity to receive quality education so that they master the skills needed to participate in the new economy, to create wealth for themselves and for Hong Kong. Next we must develop a quality environment that will help to retain our qualified professionals and to attract talent from all over the world. This makes the provision of good and affordable housing and a quality living environment, together with a variety of cultural and sporting activity, necessary additions to a sound legal system and free enterprise policies.

15. It will take a long time to train all our citizens to equip them for careers in high value-added business. For those citizens who have been displaced in the course of Hong Kong's economic restructuring in recent years, it is incumbent on the SAR Government to help them. We also have to consider the question of our population growth, which has been increasing at 2% annually. We must set the creation of new jobs as our main goal and continue to develop and provide

employees retraining schemes to help our citizens find employment and adapt to new jobs.

16. Hong Kong's development strategy will be based on two principles, a free market economy and a prudent fiscal policy. We are also committed to maintaining a sound legal system. Together with our emphasis on adding value, these principles will uphold Hong Kong's competitiveness, maintain the lifeblood of Hong Kong's economic development, and protect the interests of every citizen. As this is an important issue with far reaching consequences, the SAR Government will set up a commission on strategic development. I will be the chairman, and members of the commission will include government officials, members from industrial, commercial, financial and grass roots sectors, and also academics. It will be tasked to conduct reviews and studies on our economy, human resources, education, housing, land supply, environmental protection, and relations with the Mainland, to ensure that our resources are well-used, that we keep up with world trends in competitive terms, and that we maintain the vitality of Hong Kong's economic development.

The Programme

A. A Better Business Environment

17. If we are to build better homes, improve transport, improve education, care for the elderly, or brighten up life in our city, we must maintain Hong Kong's economic vitality. My Administration will strive to improve the environment for business in Hong Kong so that everyone has the opportunity to prosper through their work and so contribute to the common prosperity. Our efforts will be directed to increasing our external competitiveness, increasing friendliness to business within Hong Kong and to promoting a healthy competitive environment. We will do everything to remove obstacles and constraints to business development. We will give the private sector freedom to set its own direction, to explore and to seize opportunities.

18. Hong Kong gains extensive benefit from the experienced and dynamic international business community that has established itself here. I welcome their contribution. We will continue to pay close attention to their requirements and to all the factors that help make Hong Kong an attractive place for them.

A Business Friendly Environment

19. Hong Kong already has one of the most business friendly tax regimes in the world. Our intention is to keep the tax regime simple, predictable and competitive. With these principles in mind, the Financial Secretary is reviewing the system of profits tax. He will determine and announce any changes to this, or to other tax arrangements in the Budget next year.

20. As well as paying attention to the effects of taxes, we will put under critical scrutiny the costs that Government imposes on business by the regulatory and licensing framework and the efficiency of its services. The Business and Services Promotion Unit is working closely with the private sector to cut red tape, reduce costs of compliance and improve services. A one stop centre for business licence information has just been set up. On-line applications for certain licences through the Internet will be accepted in 1998.

21. To companies operating out of Hong Kong, the negative impact of rents and inflation on business costs is a concern. Although inflation is now down to its lowest level for ten years, our competitiveness has been eroded. Many of the programmes that I am setting out in this address are drawn up with this in mind. My Administration will do its best to help reduce business operating costs and maintain Hong Kong's competitiveness as a business and financial centre.

Small Business

22. 98% of Hong Kong's businesses, employing about two thirds of the workforce, are small enterprises. We have set up a Small and Medium Enterprises Committee to address their specific concerns. To help small enterprises raise capital, we will support the Stock Exchange's study into establishing a Venture Board. We have set aside \$500 million to establish a pilot Credit Guarantee Scheme to help small and medium enterprises seek loans from commercial banks to finance pre-shipment activities. Details of such a scheme are being worked out and we hope to bring it into operation as soon as possible.

Financial Services

23. The last decade saw extraordinary growth in Hong Kong's financial services industry. Its contribution to our GDP has increased by over 500%. We are now the world's fifth largest banking centre and sixth largest securities market. We are one of Asia's leading insurance and fund management centres. This is an industry that has very strong prospects for the future, prospects that will be enhanced by recent decisions taken by the 15th National Congress of the Communist Party of China on the next stages of financial and economic reform on the Mainland.

24. We will work to improve Hong Kong's position as a premier financial centre by maintaining a world class supervisory regime without over regulation; by providing state-of-the-art financial infrastructure and a well trained, adaptable workforce; and by

maintaining the rule of law, a low and predictable tax regime, an open market and a level playing field. We will :

- issue guidelines to the banking sector this year to ensure that they will maintain adequate capital against market risk, so as to comply with new international standards;
- study the impact of electronic banking and its implications for supervisory policy to ensure that this keeps in step with new technology;
- set up a secure intranet linking regulators and regulated institutions as a first step towards straight through processing across the financial system;
- examine how to link the securities clearing system to the banking clearing system, and explore the setting up of a single clearing corporation for both stocks and futures to reduce risks and increase efficiency;
- encourage the Securities and Futures Commission and the two exchanges to set up an Investor Resources Centre to improve investors' knowledge of the market; and
- support the industry's study into the need for and feasibility of setting up a Financial Services Institute to co-ordinate training for this sector.

Travel and Tourism

25. The travel and tourism industry employs 12% of our workforce, contributes 8% to our GDP and is Hong Kong's major earner of foreign exchange, bringing us an income of over \$104 billion. The recent downturn in tourism has raised concerns about the future of this industry. Our rising costs are becoming a deterrent and competition from neighbouring cities is increasing. To maintain Hong Kong's attractiveness as a travel destination, all sectors of the industry need to examine their cost structure and business practices. We will continue to plan and invest in tourism facilities and attractions. New projects such as the Hong Kong Exposition, a Film

City, a virtual reality theme park and a new cruise terminal are being studied by the Hong Kong Tourist Association.

26. To help keep Hong Kong in the world traveller's eye, we will make a loan of \$100 million to the Hong Kong Tourist Association to start up an International Events Fund, designed to bring together private sector partnerships to stage 50 major international events here over the next five years. We will work closely with the tourism promotion authorities in South China to enhance our position as the gateway to the many attractions in the region. In addition, a task force has been set up by the Government, the Tourist Association and all sectors of the industry, to consider ways to enhance our competitiveness and continue to promote Hong Kong as a tourist destination.

Film, Music and Broadcasting

27. Hong Kong produces over 100 films and 5 000 hours of original TV programmes every year. In terms of the number of films exported, Hong Kong is now number two in the world, second only to Hollywood. Our recording industry is booming and our artists have a huge following. We have in Hong Kong a first class infrastructure; a sound legal framework; and an Administration that upholds intellectual property, freedom of expression, freedom of publication and privacy of communication. All these serve to protect creative expression and encourage the growth of these industries.

28. In 1998, we will carry out a comprehensive review of the television market, to see how we can promote competition to widen choice and encourage innovation. We will set up a Film Services Office to help the industry with production and location shooting issues. To help the development of this industry, a site designated for film production use has been included in this year's land disposal programme. In addition, the Secretary for Broadcasting, Culture and Sport will establish and chair a Film Services Advisory Committee to promote dialogue between the industry and Government.

Manufacturing Industry

29. In the course of the economic transformation of the past twenty years, Hong Kong's manufacturing capacity has spread to South China and is now extending further afield. Hong Kong's role as the base for activities that add value to that manufacturing has expanded significantly. These activities, which include fashion, design, management, marketing, packaging, financing and research, are now at the core of our economy.

30. However, we still have some significant traditional manufacturing industries which make an important contribution to our economy. We will not neglect their requirements. For example, the textile and clothing industry, where labour intensive processes are kept here because of the effect of quotas, faces unique challenges and deserves our support, given its relationship with our important fashion industry. To ensure that there is sufficient skilled manpower to take advantage of the quota allocation to Hong Kong for the next few years, a joint working group of the textile and clothing manufacturers, the training institutions, labour representatives and Government has been set up to assess requirements and training needs.

Stimulating New Technology Industries

31. Innovation, adapting to new technologies and developing new industries will always be important for Hong Kong. Our universities are producing talented technologists and trained researchers. Our business networks are extremely sensitive to customer needs and market opportunities. We have set up the Industry Support Fund and Applied Research Fund to encourage innovation and give support to the development of new industries. We are reviewing their operation to ensure that they work effectively to stimulate advancement in our industries. We stand ready to inject up to \$500 million into the Applied Research Fund, specifically to support the commercialisation of research in information technology and other high technology fields. We will release the money once it is

clear that the Fund continues to be effective in meeting the objective of upgrading our industry in terms of value and technology.

32. Improving our existing arrangements alone may be insufficient. My aim is to make Hong Kong an innovation centre not just for ourselves, but for South China and the region, adding value to our economic hinterland, from which in turn we draw benefit. We may need to do more to stimulate the exchange of ideas between our university researchers, our businessmen and industrialists, and our customers, so as to drive forward innovation and turn technological development into commercial products. We also need to tap the talents and the results of scientific research in the Mainland. I shall be setting up a high level committee of academics, industrialists, businessmen and officials to advise me on what steps Hong Kong should take, and what institutional arrangements are needed to achieve my aim.

Land for Industry and Business

33. Excellent work is being done by our university research centres to stimulate new industries, work that we support. For Government's part, we will ensure that our industries and businesses have the land and support facilities they need :

- we will start to develop a science park at Pak Shek Kok. Land will be available to commence phase I in 1998;
- a site for a second industrial technology centre in Kowloon Tong has been earmarked. Development will take three years;
- a site for a fourth industrial estate has been identified in Tuen Mun. It will be ready by 2004 when the existing land bank of the Industrial Estates Corporation will be exhausted; and
- to meet the changing operational requirements of local and international companies, we are commissioning a study into setting up a business park.

Labour

34. Our community has been served by a tradition of good relations between labour and management that has brought mutual benefit. We owe a great deal to the hundreds and thousands who have built Hong Kong's prosperity through their labour. Even today, over 300 000 still are engaged in traditional industries, but as our flexible and efficient businesses continue to adapt to market opportunities, and as labour intensive industry moves up north, constant restructuring of employment takes place. We must ensure that opportunity for training and retraining is open to every member of the workforce to maintain their prospects for finding work, as well as to improve the quality and productivity of businesses.

35. This requires us to be sensitive to the needs of those displaced and to adapt our training and retraining courses to meet the needs of tomorrow's working environment. We have critically reviewed the role and future direction of the Vocational Training Council and Employees Retraining Board. They will be revising courses and developing new ones so as to respond robustly to market needs and to improve their flexibility. We will also pay particular attention to helping new arrivals of working age get into employment quickly.

36. For the construction industry, we are undertaking a special exercise to meet the demand expected from our plans to boost housing supply and build supporting infrastructure. A study on the manpower needs in the various trades will be completed within this year. A working group comprising employers, employee representatives, training institutions and relevant government departments has been set up to study issues such as manpower demands and training. The working group is now setting out its plan for the expansion of training and retraining programmes and discussing measures to encourage employment of trained local workers by contractors. It will advise Government on any specific measures to ensure an adequate supply of labour in this industry over the next decade. We will also encourage initiatives to increase productivity in this industry.

37. The issue of importation of labour has vexed our community for a number of years. Let me state now that the unalterable policy of my Administration is to give priority in employment to our own citizens. But we must be honest with ourselves. Only if we remain competitive as an economy will we be able to offer the fullest opportunity of employment to our citizens. We cannot afford to tie our hands when we cannot meet demand from within our own resources. Imported labour has contributed to Hong Kong's success. Foreign domestic helpers in many households open up career opportunities to tens of thousands of Hong Kong's women. We may need to import labour to help meet our housing construction targets or to provide staff for new homes for the elderly. I will not open the doors to unrestricted import of labour. If necessary, we will consider the need for importing labour to make up for shortage in specific trades or posts. While we operate under the principle of giving priority to local workers, we do need to improve our Supplementary Labour Scheme, to give our economy the flexibility that it needs to maintain our competitiveness. Recommendations for amending the Supplementary Labour Scheme are being studied. I trust that they will strike the right balance between the concerns of our workers and the needs of our economy. I have no doubt that enhancing the skills and job opportunities of our local workers is fundamental to the success of our economy.

38. We are also reviewing the pilot scheme for entry of mainland professionals into Hong Kong. Our aim is to come up with effective and appropriate measures to meet the needs of employers in certain trades to bring in professional staff from the Mainland who have skills, knowledge and experience of value to Hong Kong but which is not readily available here. We aim to complete the review within this year.

39. Finally on the subject of business, there are a number of measures that we need to take to protect our interests and uphold Hong Kong's commitments as a responsible member of the world trading community.

Intellectual Property Rights

40. We must provide a robust regime, in full accordance with international standards, for the protection of patents, trademarks, registered designs and copyright. This is necessary to complement our high technology based development and to ensure that Hong Kong remains a home for creative and innovative works.

41. We will take more effective enforcement actions against all forms of infringements against intellectual property rights, especially the sale of pirated and counterfeit goods. We will continue our raids against retail black spots. We will tackle illicit trading in copyright-infringing articles. We will not allow the acts of illegal businessmen to erode the development of creative business and do harm to the reputation of the Hong Kong SAR.

Trade Controls

42. Advanced technologies help the rapid development of our commerce and industries as well as promote academic research. As a responsible trading partner, the Hong Kong SAR will increase resources for control on trade in strategic commodities, so that our partners will have confidence to continue to supply high-tech products to Hong Kong. We will also strengthen our textile export control system against illegal transhipment of textile products, to ensure that genuine Hong Kong products have free access to world markets.

Competition Policy

43. Key to our economic efficiency and international competitiveness is openness and competitiveness within Hong Kong's economy. I am fully committed to promoting competition, and I welcome the good work that has been done by the Consumer Council to address practices in our internal market. I trust that they will continue to take a vigorous, proactive stance in this field. My Administration has been positively considering the Council's recommendations on overall competition policy. These have wide ranging implications that required thorough examination, but we will be ready to give a full response shortly.

B. Connecting to the Information Age

44. I would like to turn now to the tool that will shape the 21st Century — information technology (IT). Already our children are roaming on the internet; our academies are discussing with their colleagues and even teaching students over a global communications network. In Government and in many of our companies, e-mail and intranets are changing the way we work, changing our horizons. But the uses to which we are putting information technology today in Hong Kong are only a foretaste of what will be possible. To make Hong Kong a leader, not a follower in the information world of tomorrow, we need to bring together four things :

first, the hardware of high capacity communications systems;

second, a common software interface mounted on established communications networks, through which individuals, business and Government can interact easily and securely using their own systems;

third, people who know how to use the new technology; and

fourth, a cultural environment that stimulates creativity and welcomes advances in the use of this technology.

Information Technology Co-ordination

45. To ensure that Government will facilitate this process, responsibilities now divided between several bureaux will be regrouped. One Bureau Secretary will lead and co-ordinate the work of all those throughout the Government organisation involved in information technology and the related areas of broadcasting and telecommunications. This Bureau will also be responsible for co-ordinating overall information technology development in Hong Kong and will :

first, formulate policies to facilitate the establishment of an open, common interface information infrastructure, accessible throughout the SAR;

second, lay down an appropriate regulatory framework to remove obstacles to interconnection between networks, and enhance Hong Kong's external info-communications links;

third, develop a policy for accelerating the use of IT applications using the common interface in the public and private sector; and

fourth, commission pilot projects that make innovative use of the developing infrastructure.

Information Technology in Education

46. We will launch a five-year IT education strategy to promote the use of IT to enhance teaching and learning. The main tasks are to equip our teachers with the necessary IT skills; to apply computer-assisted teaching and learning across the curriculum; and to place students in an environment where they can use this technology as part of their daily activities and grow up to use it creatively.

47. Within five years, we are aiming to have teaching in at least 25% of the curriculum supported through IT. Within ten years, we aim to see IT being applied comprehensively in school life, and all our teachers and Secondary 5 graduates being able to work competently with IT tools. To move firmly in that direction, within the next school year we will :

- increase the number of computers in each primary school from 15 to an average of 40 and in each secondary school from 20 to an average of 82;
- procure and develop new software to support teaching, especially for languages;
- enhance training to over 30 000 teachers in IT use, and set up an IT Education Resource Centre to support the management of school IT systems;
- introduce pilot schemes in 20 schools to establish best practices for IT applications in teaching and learning;

- connect all schools to the Internet; and
- make preparations for an education-specific intranet for multi-dimensional communication and sharing of information within the school sector.

The Challenge Ahead

48. My Administration aims to ensure that the private sector has an open market and a well developed skills base which it can use to build on our head start in the field of the hardware of information technology infrastructure. We have opened negotiations to secure liberalisation of international telecommunications services in Hong Kong. Looking at the rate of growth in information industries, there is a huge market out there. The Asian market outside Japan for info-communications is expected to grow to US\$1,000 billion by 2010, five times the 1995 level. This market, this development, is not simply a matter of telephones and television; it is about introducing entirely new ways of doing business and interacting in the community, from banking and shopping to learning and entertainment. In Hong Kong, by introducing advanced broadband communications connections over the next ten years, opportunity would be created to deliver services to our homes. The scope of those services knows few boundaries other than the imagination. My Administration will harness the new technology to improve its efficiency and services. The real challenge is for the business sector, indeed for the whole community, to experiment, adapt and develop these new tools to enlarge our vision, conquer new markets and create new patterns of life for our entire community.

C. Homes for Hong Kong

49. Let me now discuss the question of housing. On 1 July, I set out my vision for tackling the housing needs of the community. I realise from the outset that this is a highly complex problem. It involves some entrenched policies, practices and constraints that have inhibited the supply of residential land and slowed down flat production, making the job of meeting public expectations increasingly hard to reach.

50. Flat supply has been uneven from year to year. This has sent confusing signals to the market, produced erratic price patterns and left potential home buyers and developers in the lurch.

51. Having only a one year land sale programme did not enable us to take a long term view, or have information on long term flat supply. Furthermore, the rising expectation of the community to be consulted during the development process, coupled with a statutory procedure for dealing with objections that is not time-limited, has increased uncertainty over completion of projects.

52. I set my Administration three main targets : to build at least 85 000 flats a year in the public and private sectors; to achieve a home ownership rate of 70% in ten years; and to reduce the average waiting time for public rental housing to three years.

53. Achieving these targets will be a considerable challenge. It is not just a matter of producing more flats, but of ensuring an even annual supply and a high degree of predictability that supply will be sustained. That is the only way to ensure moderate prices. This requires a well defined, rolling five year land disposal programme against a longer ten year planning horizon. It also requires a radical reform of planning and co-ordination functions within the Government.

54. My Administration has responded vigorously to the challenge. The Financial Secretary has set up a task force to attack the problem, known as the Steering Committee on Land Supply for Housing, HOUSCOM for short. It has translated my three targets into

well defined tasks. It has developed a realistic production programme and has revised the procedures for land and housing development to ensure that absolute priority is given to housing. Today I want to set out in detail how we are going to live up to the commitments that have been made.

Land Supply for Housing

55. We have already announced a five year land sales programme that will provide 120 hectares of land for private housing up to March 1999, and an additional 260 hectares in the following three financial years. In addition, there will be about 285 hectares of land for public sector housing over the same period. Together with developments initiated by private land owners and those associated with railway developments and public housing redevelopment, this level of supply will translate into a production pattern rising from around 70 000 flats in 1998 to more than 85 000 flats a year with effect from 1999. HOUSCOM is finalising a ten year programme, which includes site specific information for the first five years, with the aim of sustaining annual production of at least 85 000 flats. The programme will be rolled forward annually. To provide more land, we will :

- within the next ten years develop strategic growth areas in Tseung Kwan O, Tung Chung and Tai Ho on Lantau Island, the Northwest New Territories and Southeast Kowloon;
- proceed with the Tsuen Wan Bay and Green Island reclamations; and
- rezone suitable agricultural and industrial areas for housing development.

56. To meet the growing demand from more international professionals operating in Hong Kong, 117 hectares of land, sufficient for at least 9 000 large flats, will be sold before March 2002 in areas such as the Peak, Hong Kong Island South, Shatin, Tai Po and South Lantau, in addition to the 64 hectares already included in the sales programme up to March 1999. To further increase the supply of this category of flats, in this financial year we are releasing 260

Government quarters and three sites now used for civil servants quarters.

Infrastructure

57. To ensure that all suitable land can be used for housing, major improvements to the transport infrastructure will be needed. Our focus will be on high capacity, environmentally friendly rail systems :

- the West Rail passenger system from Tsuen Wan to Yuen Long will be completed by 2002, and extended to Tuen Mun by 2003;
- the Mass Transit Railway (MTR) Tseung Kwan O Extension will be completed by 2003; and
- a decision will be made on a passenger railway between Ma On Shan and Tai Wai and the Kowloon-Canton Railway extension from Hung Hom to Tsim Sha Tsui by the end of this year.

We will also develop plans for :

- a new MTR North Island Line from Central through Wan Chai to Causeway Bay, with a possible extension to South Hong Kong Island;
- a new East Kowloon Line to serve the Kai Tak area;
- an extension of the MTR Island Line to Kennedy Town and Green Island;
- a second connection from the Ma On Shan railway into Kowloon; and
- a fourth cross harbour rail route.

58. Improvements to the road network will also be needed. Over the next ten years, we will :

- widen the Tolo and Fanling Highways;

- complete Route 9 between Northwest Tsing Yi and Lai Chi Kok; and
- build a link between North Lantau and the Northwest New Territories.

Plans will be developed for :

- a new Western Highway to connect the western part of Hong Kong Island with the Northwest New Territories via Lantau;
- a new Eastern Highway from the main urban area through the Eastern New Territories;
- an east-west route to connect the Eastern and Western Highways in the New Territories; and
- a Central Kowloon route to ease traffic flow between West Kowloon and Southeast Kowloon.

59. To help speed up private housing development, when appropriate we will entrust related infrastructure works, such as feeder roads and drainage systems, to the private sector.

Organisation and Procedures

60. Plans for increased land supply must be complemented by efficient procedures. HOUSCOM has begun to review the organisation and procedures for housing production. It will complete its review by the end of 1997, but has already :

- drawn up a package of measures to simplify and streamline various government planning, land and building approval processes for residential development; and
- completed a review of the planning and development procedures of the Housing Authority and the Housing Society, resulting in significant reduction of the development lead time for public housing : in the case of the Housing Authority, from 62 months to 47 months; and in the case of the Housing Society, from 52 months to 46 months.

61. HOUSCOM has compiled an inventory of all housing developments in Hong Kong and will monitor progress site by site. A new accountability system for completing these developments has been devised, redefining the responsibilities of departments at district and central levels. The system covers both approval procedures and mechanisms for dispute settlement. In addition, we are looking at the organisational structure among bureaux to ensure the effective management of the land supply and housing programmes.

Home Ownership

62. Speeding up land supply for housing development will help both private and public sectors contribute towards our second target of achieving 70% home ownership by 2007. Further measures will be taken specifically to help meet this target. In the public sector, we will maximise opportunities for families to buy their own homes :

- over the next ten years, we will provide the opportunity for at least 250 000 families living in public rental housing to buy their flats at reasonable and affordable prices. These prices will take into account the age and location of the flats as well as other relevant factors. Flexible mortgage arrangements will be negotiated with financial institutions; the condition of flats will be checked and essential renovation works carried out before sale; a structural guarantee period will be provided; Owners' Corporations will be set up, maintenance funds will be established, partly with contribution from sale proceeds, and reasonable resale conditions will be drawn up. We expect to receive from the Housing Authority details of such a scheme in time for the Government to take a decision by the end of this year, so that the first batch of about 25 000 flats can be sold early in 1998;
- we will build more subsidised home ownership flats;
- we will increase the number of Sandwich Class Housing flats to be built, raising the total stock to 50 000 units by 2006;

- we will give all successful public housing waiting list applicants the option of buying rather than renting flats;
- we will launch a new "Home Starter" loan scheme, over and above the existing Sandwich Class loan scheme, targeted at first time home buyers, under which in each of the next five years 6 000 families will be given a loan of about \$600,000 each; and
- we will implement a pilot scheme to tender selected sites, subject to the requirement that the developer will hand over at least 30% of the flats built to the Government for sale to eligible purchasers at designated prices.

63. The land disposal programme, the streamlining of procedures, the rezoning and the infrastructure development that I have outlined will make it possible for the private sector to produce up to 36 000 flats a year from the year 2000. We have a mechanism to ensure that flats on new development land are completed within a fixed period. We will monitor production in the private sector closely to ensure that targets are met. I am confident that the private sector will do their part to help ensure that we meet our housing targets. Land production in our strategic growth areas will ensure that there is ample supply of land for stable and sustained private sector development to meet our target.

64. To promote stability in the market, we have put in place a more effective system for monitoring the residential property market and have drawn up a package of measures to introduce at short notice should signs of excessive speculation emerge at any time. If need arises, we will use them.

Public Rental Housing for Those in Genuine Need

65. Our targets on flat construction and home ownership may catch the headlines, but improving the supply of subsidised rental housing to those in genuine need is no less important a part of our housing strategy. We will reduce the waiting time for public rental housing from the present average of six and a half years to under five

years by 2001, to four years by 2003 and to no more than three years on average by 2005. At present we assign about 14 000 flats a year to waiting list applicants. To meet our targets, from 2001 we will provide an average of 20 000 flats each year, and to ensure that they go to those in genuine need, we will introduce in 1998 a means test of income and assets for all prospective public housing tenants.

66. We will also take steps to improve housing for those now living in poor conditions. We will clear all remaining old type temporary housing areas by 2000 and all remaining cottage areas by 2001. By then we will also have offered public housing to all those who may be displaced from bedspace apartments which do not meet the safety standards for licensing. We have also drawn up a programme to offer public housing to all squatters affected by development clearance.

Speeding up Urban Redevelopment

67. Added to the challenge of providing enough new housing is the large stock of old or inadequate housing in the urban area. At current rates of redevelopment, this stock of housing over 30 years old will double from 20% to 40% of private housing over the next ten years. Redevelopment is a complex process but we must address the challenge more vigorously if we are to ensure that Hong Kong's inhabitants have good homes in a good environment. This will involve a number of measures, including the redevelopment of old industrial areas into housing, a review of plot ratios and set time limits for handling public objections to residential developments.

68. Ability to resume land for redevelopment is the key. We aim to set up an Urban Renewal Authority by 1999 to build on the good work that has been accomplished by the Land Development Corporation. We will introduce legislation to give the Authority effective powers to carry out resumption and comprehensive redevelopment. We will also introduce legislation to assist property owners and developers to assemble land so as to quicken the process of renewal by the private sector.

A Safer Home

69. A good home is a safe home. We will step up programmes to ensure the safety of residential buildings. We are working to introduce a Mandatory Building Safety Inspection Scheme in 1998. We will set up a \$500 million "Urban Rehabilitation Fund" to provide loans to owners of old buildings in targeted areas for rehabilitation. This will help maintain the safety and quality of our existing housing stock.

70. Recent tragic accidents have shown the need for much greater awareness of the danger of fire and for closer co-operation between Government and the community in the fight against fire. A package of legislation and administrative measures to improve fire safety will be introduced by the Secretary for Security.

71. This year's exceptional rains have shown both the benefit of the work that has been done so far on improving slope safety, and how much we still have to do to educate private property owners and the community on maintaining slopes and drainage channels. We will also extend Government slope maintenance programmes.

72. I have demonstrated to Honourable Members and to the community that my Administration has a clear programme to tackle the housing problem comprehensively. The Financial Secretary and his team will elaborate on this programme in the next few days. There is determination within my Administration to meet the targets I have set. We ask for the support of the Legislature and the community at large in this common enterprise.

D. The Environment

73. To achieve all that we hope for our business and industry, we need to put one thought at the heart of all our planning, the quality of our environment. Let me put it bluntly, unless Hong Kong provides an environment that is good to live in, how are we going to attract or retain the talented and creative people that our businesses and economy need in order to grow? Improving the quality of the environment is as vital as economic growth to improving our quality of life. We will ensure that consideration of how to sustain and enhance the environment is built into strategic planning and policy making. The Environmental Impact Assessment Ordinance comes into effect in 1998. We will use it vigorously. We have just commenced a study into sustainable development. We will seek to involve the whole community in learning and discussing what that means for us and for the way we do business. Simply put, waste and environmental degradation represent inefficiencies that are costly to our health, our businesses and our community. Sensible planning and action to reduce them is good for our competitiveness as well as our enjoyment of our city.

74. My Administration will be taking immediate steps to address water and air quality problems, and to reduce waste.

75. The new Stonecutters Island Sewage Treatment Works is operating well. Rigorous environmental monitoring is being carried out which will help with design of future stages of the Strategic Sewage Disposal Scheme. We will complete phase I of the Strategic Sewage Disposal Scheme by 2000. Subject to the outcome of further studies, we aim to complete phases II, III and IV steadily thereafter to extend the coverage and quality of the treatment system.

76. We will shortly introduce a trial scheme for Liquefied Petroleum Gas (LPG) powered taxis. Once the technical issues have been settled, we will implement a plan to replace diesel powered vehicles with LPG or other cleaner technologies as soon as possible. The effect of traffic fumes on our air quality and health is obvious to all. We will not let this problem continue.

77. Keeping Hong Kong clean is everyone's responsibility. It is not just a matter of keeping our city centre clean. In every corner of the territory from rural villages and country parks to industrial areas and our great harbour, we all need to play our part in promoting a clean and healthy environment, to take pride in making Hong Kong a clean and beautiful city.

78. In 1998, we will be launching a Waste Reduction Plan. We will examine all processes to see where we can be more efficient in handling and reducing waste. I trust that there will be public participation and political consensus to implement this important programme.

E. Uncovering Hong Kong's Treasure Education

79. I said on 1 July that education is the key to the future of Hong Kong. It provides a level playing field for all and the human resources for further economic development. Our education system must be firmly rooted in the needs of Hong Kong; it must enable us to contribute to the development of our country; it must give us an international outlook. It should be diverse, drawing on the strengths of East and West. It must inspire commitment to excellence. I will now set out our plans to achieve that.

80. Primary and secondary education provides the foundation for all our children and it is here that the commitment to excellence needs to start. I am glad that the Education Commission has just published its seventh report, which provides a basis for promoting quality and innovation; for upgrading the professionalism of teachers and school administrators; for developing essential indicators for assessing the performance of schools and for improving the learning environment. My Administration will begin to implement the recommendations immediately. We will press forward with mother tongue teaching, so that students can learn more effectively. We will also continue to promote excellence in tertiary education and to improve quality at kindergarten level and in special education.

Quality and Innovation

81. We will allocate \$5 billion to establish a Quality Education Development Fund. This will be used to encourage innovation, competition and self-motivated reform in primary and secondary schools. It will be a more flexible and efficient alternative funding source than the normal Government mechanism.

82. To promote and strengthen school-based management, we will also require all schools to draw up plans and achievement targets; publish annual reports; and conduct fair and open appraisal of teachers. We will give school principals, whose leadership is key to

the success of our education system, more flexibility in the use of funds to meet their own plans and priorities.

A Committed Teaching Profession

83. For our substantial investments in education to yield good returns, a teaching profession of high commitment and quality, respected and supported by the community, is essential. To enhance the professional status of teachers and to help them do their job more effectively, we will :

first, within two years set up a General Teaching Council, a professional body for teachers;

second, relieve teachers of the burden of clerical work. More than 800 clerical posts will be provided to schools in the coming year;

third, advance the date for graduate posts making up 35% of all primary teaching posts from 2007 to 2001;

fourth, require all new teachers to be trained graduates. The University Grants Committee will study the timetable and the means needed to achieve this target : I expect to be able to announce decisions next year; and

fifth, declare 10 September each year as "Teachers' Day" as a reminder to all of the enduring importance of the teaching profession.

Language Skills

84. Confidence and competence in the use of Chinese and English are essential if we are to maintain our competitive edge in the world. The Education Commission Report No.6 has already laid down a framework to achieve our goal for secondary school graduates to be proficient in writing English and Chinese and able to communicate confidently in Cantonese, English and Putonghua. Putonghua will become part of the curriculum in the next school year starting from Primary 1, Secondary 1 and Secondary 4, and a subject

in the Hong Kong Certificate of Education Examinations by the year 2000.

85. Greater use of mother tongue teaching will help raise the standard of teaching in non-language subjects. It also allows more time to be given to specialised teaching of English and Chinese so that all language standards may be raised.

86. To make an immediate impact on improving the English language standard of our students, we will implement a new Native-speaking English Teachers Scheme, providing more than 700 additional native-speaking English teachers for secondary schools from next year.

87. We will also :

- set language benchmarks for all teachers in 1998-99;
- require all new teachers to meet the benchmarks before they join the profession in 2000;
- provide training for in-service language teachers, so that within five years of the benchmarks being set, all will be able to reach them; and
- provide more teachers to support school library services and the Chinese and English Extensive Reading Schemes in primary school.

88. In the longer term, we need to develop a centre of excellence in language teaching, and we will be looking into establishing a "Centre of Language Teaching" within the Institute of Education for the training and retraining of our language teachers.

The Learning Environment — Whole-day Primary Schools and others

89. We need to provide an environment conducive to an all-round education for our children. At primary level, our goal is whole-day schooling for all. As a first step, we will raise the percentage of students in whole-day schools from the previous target of 40% to 60%.

by the 2002 school year. To meet this new target in the face of the perennial shortage in land, we will need to increase slightly the average class size in primary schools to 34.5 students per class and temporarily withhold reduction of class size at the secondary level. In view of the benefits that whole-day schooling brings to the learning environment for our children, we are determined to reach our target of the full implementation of whole-day schooling as soon as possible after 2002. The problem is finding sufficient sites for new schools, particularly in the old urban area. My Administration is looking imaginatively at provision of sites. I will set out a timetable for achieving this target in my next Address.

90. At the secondary level, we are on target to abolish floating classes up to Secondary 5 by the year 2000. We will also revise the designs of primary and secondary schools to suit new developments, such as providing multi-media rooms, language rooms and staff rooms. In parallel, we will continue to enhance existing schools under the School Improvement Programme.

Schooling for Newly Arrived Children

91. Children born outside Hong Kong but who have right of abode here are part of our community. We must provide a good education for them to help them settle into Hong Kong and contribute to our society. To meet the demand, we are already scheduled to complete 16 school projects by September 1999. We will build another six primary and ten secondary schools before the 2001 school year. We will provide induction programmes, English language programmes, short term preparatory courses and school-based support services to help newly arrived children overcome initial academic difficulties and integrate into the local school system as soon as possible.

Tertiary Education

92. Tertiary education accounts for about one-third of our total budget on education. The tertiary sector has now entered a period of consolidation following its rapid expansion over the past decade. I have asked the University Grants Committee and the tertiary

institutions to build upon existing strengths and invest in state-of-the-art facilities so as to provide programmes which will be recognised internationally for their excellence.

93. The tertiary institutions have a role to play in enhancing the language proficiency of students. Students whose language skills do not meet the minimum standards should not enter the institutions. We will ask the universities to consider exit language tests and we will provide more resources to them for language training.

94. We will build 11 000 additional hostel places, principally for the three universities that do not have any at present, to ensure that all students can spend at least one year in a university hostel.

95. Universities should be places for cross cultural learning and exchange. From the next academic year, we will double the number of non-local undergraduates and taught postgraduates from 2% to 4% and increase the ratio of non-local research postgraduates from 20% to one-third. We have asked the institutions to recruit outstanding students from the Mainland to enrol in first-degree courses.

96. We will make a \$50 million grant to the Open University to develop adult distance learning courses in both English and Chinese, to serve Hong Kong and mainland students. Our goal is to turn the Open University into a centre of excellence in adult and distance learning.

97. We will enhance the efficiency, transparency and fairness of the Local Student Finance Scheme to ensure that no students will be denied access to tertiary education due to a lack of means. We will also introduce a non-means tested loan scheme open to all full-time tertiary students to complement the existing means-tested scheme. We expect this to benefit some 50 000 students.

Special Education

98. To ensure that all our children can fulfil their potential, we must help children with special educational needs. In the coming year, we will enhance the quality of special education services through improved support staffing. We will conduct a two-year pilot

exercise in nine schools to map out a long term policy to help students with special education needs integrate into ordinary schools.

Kindergarten

99. Turning to kindergarten education, I propose to maintain the momentum for improvement in standards by ensuring that 60% of teachers at this level have formal training by 2000; by upgrading the standards of training for teachers, and by requiring all new kindergarten principals to be graduates of the Certificate in Kindergarten Education Course by 2004. Also, we will be introducing improvements to the Kindergarten Subsidy Scheme to provide incentives for kindergartens to employ more trained teachers.

Expenditure

100. The measures that I have proposed above will raise recurrent expenditure on basic education by 7.6% in the coming year. In addition, capital expenditure will increase to \$22.2 billion over the next five years.

Review of the Education System

101. Such additional expenditure is essential to provide the quality of education that Hong Kong deserves. However, I am convinced that we need to take a very careful look at the whole structure of our education system. We need to decide how it should develop into the next century. By the end of this year, we will have reviewed the existing structure of executive and advisory bodies, with the aim of streamlining the system. In the coming year, we will :

- ask the Education Commission to begin a thorough review of the structure of pre-primary, primary, secondary and tertiary education, addressing the age at which students should begin each stage of education; the duration of the various stages; the curriculum and the interface between stages. It will also consider the matter of four years of tertiary education;
- review our policy on private schools in order to foster a more vibrant and diverse private school system that encourages innovation and gives parents greater choice;

- review our examination system to take account of students' performance at schools so that their achievements will not be determined by a single examination; and
- ask the universities to review their admission criteria for undergraduates to give recognition to excellence in extra-curricula areas, such as community service, arts and sports.

The Curriculum

102. In the school curriculum, we need to develop teaching about Chinese history and culture. These are part of the heritage of our predominantly Chinese community. We also need to be looking afresh at our curriculum to ensure that our schools are giving proper attention to science and mathematical knowledge that is essential in the modern world, and that we seek to promote the all-round development of children and encourage all their talents.

103. We are examining best practices in other places, and will draw on expert advice in all the reviews, to ensure that we look critically and constructively at all we are doing, so as to build on our strengths and remedy our weaknesses in educating our community for the next century. I will look to develop our plans in my next Policy Address.

Our Young People

104. It is important that we educate our young people, so that they master the knowledge and skills needed to make a living and to contribute to society. But this is far from being the only aim of importance. Knowledge and skills can propel economic growth, but our goal goes beyond this. Our goal is to become a community that is both rich and warm of heart, both free and united, both sophisticated and culturally confident. This calls for more than mere knowledge and skills.

105. Schooling is just a part of our young people's lives. The impact of family upbringing is immeasurable. I call on all parents of Hong Kong to work with teachers and to spend more time with your

children, to help them grow. They are at their most sensitive and imaginative age. They need your guidance, patience and love.

106. Working together to educate and bring up our young people properly is the responsibility of parents and the Government. But young people also have their share of responsibilities to others, to their families, and to the community. I believe that the greatest respect that can be paid to anyone is let them assume responsibility.

107. The Commission on Youth will carry out a study on how our young people can take up a more active role in building up the SAR, and in voluntary work, to make Hong Kong a place abundant not just in material wealth, but a place that is spiritually enriched for the next century.

The Arts

108. Young and old alike look to our city to be far more than just a place of study and business. We look for art to stimulate and sustain us. Hong Kong has long embraced both eastern and western cultures and in our artistic life we find contemporary diversity with Chinese characteristics. Over the years we have injected considerable resources into developing artistic endeavours. We have many venues for the arts, and a flourishing Academy for Performing Arts. I welcome the work done by the Arts Development Council, the Provisional Urban Council and the Provisional Regional Council. We must aim higher. My Administration will consider how to make better use of the resources we now invest in this area, and what more we can do to stimulate the artistic life of Hong Kong.

Sports

109. In sports, as in the arts, there is great diversity in Hong Kong, and my Administration will strive to encourage this. We will continue to support the Sports Development Board's strategic plan to improve our sporting environment and to promote the health and spirit of Hong Kong through sport.

Hong Kong's Culture

110. How education and culture will shape our home, how we can each play our part in creating a community that all can enjoy and draw strength from, are matters for everyone. For many years, Hong Kong has been set apart from the Mainland. We have lived in a society and a cultural environment very different from the Mainland. As we face the historic change of being reunited with China, for every individual there is a gradual process of getting to know Chinese history and culture, so as to achieve a sense of belonging. My Administration attaches importance to this process. We will provide resources and will promote educational, recreational and cultural exchange programmes to involve the community fully in this process.

111. Ours is a cosmopolitan city. Our ability to embrace the cultures of east and west is one of the secrets of our success, shaping a unique social culture of our own. While we deepen our understanding of Chinese history and culture, we will continue to develop our own diverse cultural characteristics. China's culture, like every other culture, is growing and changing as we journey forward into the 21st Century. Hong Kong stands in a unique position in this process, able to act as the centre of exchange for China to learn about western cultures and for the world to learn about Chinese culture.

112. To help nurture the growth of a stronger understanding of our own community and culture, the Home Affairs Bureau will be launching a programme to strengthen civic education over the coming year, under the theme "Hong Kong, Our Home".

F. A Compassionate and Caring Society

113. As we work hard together to build our future, caring for those in need, supporting the elderly and helping the disadvantaged are fundamental to the quality of our society. My Administration will work to improve conditions for the elderly and people with disabilities, to help our new arrivals integrate into the community and to improve health care.

Care for the Elderly

114. Caring for the elderly is the responsibility of every family : we need to provide a sense of security, a sense of belonging and a feeling of health and worthiness.

Security

115. For the elderly to feel secure, they must first be financially secure. To prevent future generations from facing the uncertainty of today's elderly, we will establish the Mandatory Provident Fund Schemes in 1998 so that in twenty to thirty years all the workforce will have provision for their retirement. To address today's needs, we will increase the monthly payment to elderly Comprehensive Social Security Assistance (CSSA) recipients. The annual Chinese New Year Grant and the Social and Recreational Activities Grant will also be merged into the regular monthly payment. Taken together, in the next financial year the CSSA monthly payment for the elderly will be increased by \$380 before inflationary adjustment.

Belonging

116. More important for the elderly than cash is a place to call home and the effective delivery of good services. We will respond to this need and steadily increase investment in services. We need a flexible and wide-ranging approach that helps families that want to care for their older members, that helps those elderly who have no family but want to live in their own homes, and that provides sufficient institutional care for those in need.

117. It is only right that we reciprocate the love of our parents and take care of them when they are old. To encourage family support, we will :

first, establish 12 visiting health teams in 1998-99 to provide services to the elderly living in the community and give support to their carers;

second, set up 15 additional home help teams in the next financial year to assist the elderly living with their families in the community;

third, set up two Carer's Support and Resource Centres in 1998 to help families looking after the elderly; and

fourth, review public housing allocation arrangements to encourage eligible family members to live with older members.

118. We really need to know just how great the need for services is, particularly for residential care, in order to plan properly. I have asked the Elderly Commission to carry out a comprehensive assessment on the longer term demand for elderly housing and residential care services and draw up a strategy for both the private and public sectors to meet the needs. They will make recommendations next year, and I will follow up on what more needs to be done in my next Policy Address.

119. In the meantime, we will increase the supply of housing for the elderly by introducing a "Senior Citizen Residence Scheme", under which flats will be built in the urban area to lease for life to the elderly. We will also increase subvented residential care places by 2 400 through the Bought Place Scheme over the next three years. A new Dementia Supplement will be introduced and the Infirmary Care Supplement will be maintained to enable subvented care homes to provide continuity of care to the elderly.

Health and Worthiness

120. To promote the health and sense of worthiness of the elderly, we will improve medical care, social services and opportunities for the elderly to join in community life. We will set up 12 elderly health centres in 1998-99 to provide a new integrated elderly health service comprising preventive, promotive and curative health services. An extra psychogeriatric team will be set up to reach another 4 600 patients each year.

121. So that the elderly can lead a more active and purposeful life, the multi-service centres for the elderly will also introduce an Elderly Volunteer Programme to encourage senior citizens to continue to contribute to the community. By 2000, 36 integrated teams to provide dedicated social networking and outreaching services to the vulnerable single elderly will be set up.

122. The improvements to services for the elderly that I have announced will lead to total recurrent expenditure on direct services rising to \$5.1 billion in 1998-99. That is on top of the \$9.4 billion we will spend on financial assistance.

CSSA Review

123. There has been much public debate about what is meant by providing adequate social security to those who do not have the means to support themselves. I am aware of the concern that some elderly persons are not eligible for CSSA payments if they have assets above a certain level. There is consensus in the community that more must be done for the elderly, particularly the single elderly. We need to be compassionate and caring. But, we should not remove incentives to work. To ensure that neither of these considerations are compromised, I have asked the Secretary for Health and Welfare to conduct a study on the scope and the administration of the CSSA scheme in 1998.

Services for People with Disabilities

124. We also must ensure that the needs of people with disabilities are addressed. Our goals remain to provide suitable

rehabilitation services and support and assistance to this group, so that they can develop their potential and integrate fully into this community, sharing the same opportunities as their fellow citizens.

125. Recent efforts have significantly improved services. However, the Health and Welfare Bureau, in consultation with voluntary and non-governmental organisations (NGOs), will review the demand for different types of services and support next year. We will plan ahead for the next five years in the light of the findings to meet the special needs of this group.

Newly Arrived Citizens

126. Another group to whom we have to respond are the children of Hong Kong citizens born in the Mainland. All those eligible under the Basic Law have a right to come here. Ours is a caring society. Our duty is to ensure that our new citizens quickly feel part of our community and can rapidly start to contribute to our society. We need to make sure that we have the proper facilities to receive these children without affecting existing programmes and services for the community. I have noted the steps that we are taking to provide education, training and housing. We are encouraging a wide variety of social services adapted to the needs of these new citizens. We are working closely with the authorities on the Mainland to make the necessary arrangements for the arrival of these children. The Secretary for Home Affairs is co-ordinating the delivery of services by government departments and NGOs, to ensure that all new arrivals know the services that are available and are helped to find work or support where they need it.

Women

127. The women of Hong Kong make a most significant contribution to the prosperity and progress of our community. My Administration will always give consideration to the interests of women, and to the promotion of equality of opportunity in our community.

Continued Improvement in Health Care

128. Health is a valuable asset. In Hong Kong today, we already enjoy a standard of health care that compares well with any developed country. We will work continuously to improve our health care system for the benefit of our community.

129. Starting with preventive medicine, we will increase our co-operation in worldwide efforts to monitor disease patterns and enhance our ability to respond effectively to outbreaks. At the same time, we will strongly promote health education programmes. Many illnesses common to women or to the elderly can be prevented: we must ensure that they have the knowledge and the support needed to enjoy healthier lives. Health facilities will also be improved with the new Kowloon Bay Primary Health Care Centre and Nursing Home opening next year, providing new general out-patient and specialist treatment services as well as a radiography support centre. To extend our hospital services, we will bring into use 754 additional hospital beds next year.

Health Care Review

130. Our health care professionals in the public and private sectors provide a service of high quality to the community, which reflects well on their commitment and training. I fully understand the concerns that have recently been raised about our hospital services. These are important issues for us, and the Hospital Authority is addressing them. There are also questions about out-patient services that we need to deal with. Beyond these, our health care system faces a number of challenges in the longer term. We have a growing and ageing population. The community has ever rising aspirations for quality care. As a result, health care expenditure will continue to escalate. To help us draw up suitable long term policies, the Secretary for Health and Welfare will carry out a comprehensive review of our existing health care system during 1998.

131. In the review, we will examine how to achieve a better interface between primary health care, out-patient and hospital in-patient services. We will review whether the existing split of

workload between the public and private sectors is reasonable. We will also study how patients and the community can best share our health care costs. I will address this subject further in my 1998 Policy Address.

Chinese Medicine

132. For the protection of public health, we aim to introduce a bill in the next legislative session to establish a statutory framework to recognise the professional status of traditional Chinese medicine practitioners; to assess their professional qualifications; to monitor their standards of practice; and, to regulate the use, manufacture and sale of Chinese medicine. The establishment of a sound regulatory system will lay a solid foundation for the future development of traditional Chinese medicine within our overall medical care system. I strongly believe that Hong Kong has the potential to develop over time into an international centre for the manufacture and trading of Chinese medicine, for research, information and training in the use of Chinese medicine, and for the promotion of this approach to medical care.

G. Vietnamese Boat People

133. For over twenty years, Hong Kong has played an outstanding part in coping with the burden of Vietnamese boat people. 143 000 refugees have been resettled to third countries, 69 000 migrants and illegal immigrants have been repatriated to Vietnam. Today only 1 300 refugees and 800 migrants remain in Hong Kong, to which recently have been added about 1 000 illegal immigrants. We have done our part as citizens of the world. It is time to bring this issue to a close one way or another. We are developing strategies to resolve the remaining aspects of this problem as soon as possible.

134. The recent arrivals are illegal immigrants and we are pursuing arrangements with the Vietnamese authorities to secure a faster pace of repatriation. We are also seeking the Vietnamese Government's assistance in the return of the 800 non-refugees who arrived while the Comprehensive Plan of Action was still in effect. We are pressing the United Nations High Commissioner for Refugees (UNHCR) and the international community to work harder to arrange for the resettlement of the remaining 1 300 refugees, and to continue to look after them while they remain here. We will also continue to press the UNHCR to repay the debt that is owed to Hong Kong. In pursuit of these objectives, we have the full support of the Central People's Government. I will also be urging the United Kingdom Government to discharge its continuing moral responsibility to assist in reaching a full solution to this problem.

H. The Administration of Justice

The Judiciary

135. The Basic Law provides for the continuation of the rule of law and the judicial system beyond 1 July with no fundamental changes. The common law and all the laws previously in force in Hong Kong, except for any that contravene the Basic Law, are maintained; the judicial system continues to operate fairly and independently as before.

136. One major change to the judicial system, a change which is welcomed by all, is that the power of final adjudication is now vested in the Court of Final Appeal of the Hong Kong Special Administrative Region. The Court was set up on 1 July 1997. With the appointment of judges and formulation of court rules, the Court is now fully functioning. For the first time in our history, we have a fully integrated system of courts within Hong Kong.

137. Another milestone in our judicial system has been the establishment of a bilingual court system in which the Chinese language can be used along with the English language. We take pride in having a court system capable of dispensing justice in a language which the vast majority of Hong Kong people can understand. At the same time, it is important that the common law is maintained and developed. There are difficulties that can arise when Chinese is used in the common law setting, so the Judiciary has been implementing the use of Chinese in courts prudently, so as not to compromise the operation of the common law in any way.

138. A credible and independent judicial system underpins Hong Kong's present success. I am confident that the Judiciary will continue to uphold the rule of law in Hong Kong by dispensing justice without fear or favour.

Legal Aid

139. Central to the rule of law is the equality of every person before the law. Our legal aid system ensures that no one is prevented

from seeking justice because of a lack of means. In the coming year, we will improve the service provided by the Legal Aid Department, restructure the Department and streamline its work procedures.

140. We will continue with the Legal Aid Policy Review on further improvements to our legal aid system. Particular consideration will be given to reviewing the criteria used to assess the financial eligibility limits and access to the legal aid system. We aim to begin public consultation before the end of this year.

I. Upholding the Law

A Police Force of the Highest Quality

141. The Hong Kong Police Force is one of the best equipped and trained in the world. They have made Hong Kong one of the safest cities in the world.

142. We are not complacent with what we have achieved. We are determined to maintain the Police Force as one of the finest, and further improve its effectiveness. We will :

- strengthen Police intelligence and detection capabilities;
- deploy additional Police officers for front-line operational duties;
- strengthen liaison with overseas law enforcement agencies to tackle international organised crimes, and enhance co-operation with the Guangdong authorities to tackle serious trans-boundary crimes between Hong Kong and the Mainland;
- upgrade the anti-smuggling and anti-illegal immigration capabilities of the Marine Police; and
- continue to foster a service culture in the Police Force and emphasise the importance of integrity and honesty.

The ICAC

143. A generation ago, Hong Kong set its face firmly against corruption. Thanks to resolute action, the Independent Commission Against Corruption (ICAC) has succeeded in bringing this problem under control, a vital ingredient in the common prosperity that the community has created since then. Let me make it clear that the SAR will not tolerate any form of corruption. The SAR Government is committed to the fight against corruption in every area of public and private life. To show that commitment in practice, additional resources will be provided to enable the ICAC to strengthen its investigation and prevention capability.

144. In the coming year, the ICAC will continue to enhance ties with Mainland and international counterparts. Together with the Guangdong Provincial People's Procuratorate, it will produce a new legal guide for investors. It will also establish an International Assistance Section to develop co-operation with other anti-corruption agencies in investigating corruption-related crimes which transcend international boundaries. I am confident that with the concerted effort of the ICAC and the community at large, we will keep corruption at bay.

J. Public Administration

The Political Structure: Hong Kong People Ruling Hong Kong

145. Finally, I turn to our system of Government. The SAR Government, in accordance with the Basic Law, is developing a political system under which Hong Kong people are ruling Hong Kong. My Administration is devoting attention to preparing for the election of the first SAR Legislature and to the steady development of Hong Kong's democracy. The elections will take place on 24 May next year. Legislation for the conduct of the elections has just been passed by this Council. We have just established the Electoral Affairs Commission to oversee the elections, to ensure that they are carried out openly and fairly. A vigorous, territory wide campaign to register voters and update the electoral roll will be conducted. I urge every eligible resident to register and to vote. I welcome every person or party who seeks to represent the community to put themselves forward for election.

146. Next May's elections are the first step in a ten year timetable laid down by the Basic Law for the elections of the Chief Executive and the Legislative Council. Annex I of the Basic Law sets out the method for electing the Chief Executive, while Annex II lays out the method for forming the first, second and third terms of the Legislative Council and its voting procedures. The two annexes also set out the procedures to be followed should the method for electing the Chief Executive or the Legislative Council after 2007 need to be amended. While the broad framework has been settled, there are many details that need to be worked out. We will be working out these details in accordance with the principles of democracy and openness required by the Basic Law and expected by the people of Hong Kong. Together we will work steadily towards our long term objective of having a Chief Executive and a Legislature elected by universal suffrage.

147. We should take a fresh look at the regional organisations, the Municipal Councils and the District Boards, so as to decide for ourselves whether the present structure of local representative

government will continue to ensure the efficient and responsive delivery of services to our evolving community. I have asked the Secretary for Constitutional Affairs to consider how to take forward public consultation on this issue.

An Efficient and Accountable Executive

148. The Hong Kong SAR has an executive-led government. To lead, we must listen carefully and explain clearly what we intend to do. In the programme that I have outlined today, and through the presentations that each of the Bureau Secretaries will make over the coming week, we want to assure the community that your Government remains committed to listening to community views and responding by setting out clearly how we plan to meet our long term objectives. We remain committed to debating publicly issues of importance to the community, so that all have the opportunity to take part in the process. The authority to enact legislation, and to approve budgets, taxation and public expenditure, rests with this Council in accordance with the Basic Law. The executive arm of Government will continue to serve the community through the proper exercise of its powers and the faithful discharge of its responsibilities under the monitoring of the Legislature and the public.

149. For many years, Hong Kong people have been used to learning about government policy and actions through the news media. There was some concern that the freedom of the press would be curtailed on the establishment of the SAR. I can assure everyone that this Government will remain an open government, respecting the freedom of the press and of the media.

The Civil Service

150. We are privileged to have a dedicated, honest and efficient Civil Service that has gained the deep respect of the local and international community alike. In the past three months as Chief Executive, I have been struck by their professionalism and continuous quest for improvement. The content of this Address and the Policy

Programmes we are publishing this afternoon demonstrates their commitment.

151. A high quality public service requires an effective management process. I have tasked the Secretary for the Treasury to lead a special group to develop and implement a target-based management process to achieve continuous improvement in public services. The group will focus its early efforts on the areas of housing and care for the elderly. We must manage for results, by results.

152. To promote the objective of managing for results, we must expand the leadership and strategic management capacity of the civil service. To this end, the Secretary for the Civil Service will organise a tailor-made high level leadership programme for the senior officials who lead and manage the change process.

Expenditure

153. The programme that I have set out today will lead to an increase of \$7.7 billion in recurrent spending in the next financial year, rising to \$18.6 billion annually for the financial year beginning in April 2001. Over the same five year period, capital expenditure of \$88 billion will be incurred because of the initiatives in this Address. This represents public money being reinvested in the community to carry Hong Kong into the new millennium. We can afford to make these investments because of the strength of our reserves, to which have been added the Land Fund assets, and because of our careful management of public finance. Recent events in Southeast Asia have shown the importance to Hong Kong of maintaining strong reserves and prudent fiscal management. But, my Administration will not hoard public funds unreasonably. We will continue to seek ways to return the benefits of today's prosperity to the community, and to invest wisely to ensure future prosperity and the strengthening of Hong Kong's competitiveness. The Financial Secretary is reviewing our financial situation carefully, and will discuss the role played by our reserves in the financial management of the SAR Government in his next Budget.

Conclusion

154. I understood, as I drew up this Policy Address, that what I say today will affect the future development of Hong Kong and the interests of each and every citizen. I asked myself some searching questions: is our outlook broad enough? Is our thinking down to earth? Has our direction reflected the fundamentals of a free market economy and the principle of prudence in financial management? Has our thinking reflected the feelings and aspirations of our citizens? Have we only delivered the good news and not the bad in our assessment of the current situation? Are we making promises to our citizens we cannot realistically achieve? Have we ensured the development of democracy by proceeding in an orderly fashion and in accordance with the principle of steady progress? Have we allowed our attention to be distracted by too many things, and lost focus? All these questions have been in my mind during the entire process of preparing this Policy Address, and will, I am sure, guide me in my work during the coming five years.

155. In finalising the HKSAR Government's first Policy Address, my colleagues and I share a common feeling: through our efforts, all the tasks set out in this Address can be accomplished. My confidence is based on Hong Kong's abundant human resources, our strong financial position, the unique opportunity before us, and the strong support of our country. In years gone by, the people of Hong Kong, mostly Chinese, have created the miracle that is Hong Kong. Now, being our own masters, I have no doubt we will be able to create an even better future for our city.

156. Hong Kong has a bright future. I sincerely hope that I will have the support of all Honourable Members, all my Civil Service colleagues and all the citizens of Hong Kong. I sincerely hope that each and every one, with the same sense of responsibility and commitment that we have towards our own families, will join hands to achieve our goals as we move steadily forward.

